

a half pence (about 87 cents) to the milreis. The existing- bank of issue was liquidated and its note issue was taken over by the Treasury. Another readjustment became necessary in 1846, by which the par of the milreis was fixed at twenty-seven pence. This remained the nominal gold par during the remainder of the century, although the actual value of the milreis went through a great variety of ups and downs.

Several circumstances of the Brazilian paper circulation between 1846 and 1889 gave some color to the theory that it is possible to maintain an irredeemable currency at par by regulation of the quantity.¹ Much was made of the fact that the government was able in 1860 to add 40,000,000 milreis to the circulation without causing a permanent decline of exchange below par. There was a depreciation of 4,161 per cent, in 1860 and 2.619 per cent, in 1861, but no depreciation in 1863 and 1864. The comparative stability of these years was due to the fact that the new paper took the place of a corresponding amount of gold which was expelled from circulation, while the balance of payments was influenced in favor of Brazil by foreign loans in 1858, 1859, and 1860. Fifteen years later, in 1875, ^a ^ke phenomenon occurred, on the occasion of a foreign loan of ^"5,000,000 and unusually high prices for coffee. The effect of these loans was to offer a means of adjusting commercial and financial balances abroad without drawing upon the gold supply or compelling a readjustment of export prices.³ While the steadiness of exchange in certain years verified the law that the value of money is influenced by the demand for it, the fluctuations in other years indicated that

¹ *Vide* Report of the Indian Currency Committee, 1893, Sec. 92, where the relative stability of the Brazilian exchange seems to be rather overstated. See table in Wileman, facing page 161.

²As Wileman points out: "When the currency is wholly inconvertible and there is little or no gold for export, it is clear that the fall of exchange is not the result of an increase in the demand for bullion alone, but of that for exports of all descriptions, of which bullion is merely the most important and representative item/*— Brazilian Exchange, 9.